



The BEACON *SpotLight*

A Study of Constitutional Issues by Topic

Topic: Establishing a Grain of Gold as the Market Standard Unit of Value

As the once-proud American Dollar continues its tragic decline, large numbers of Americans yearn for a stable alternative. A brief review of American coinage history provides helpful insight in this quest.

In the April 2, 1792 Coinage Act, Congress fixed the "dollar" as a coin of 371.25 grains of pure silver in the standard weight with copper alloy at 416 grains.

The name of the unit, its weight and purity were all largely modeled after the international trade coin of the day used throughout the States, the Spanish milled dollar. This was the case even as colonial-era accounts were yet denominated in pounds, shillings and pence (please note that widespread use of a market coin not even officially denominated as the money of account has proven successful in later changing the legal money of account).

The eagle was also established at 247.5 grains of pure gold with a standard weight of 270 grains, valued at \$10.

The United States thus established a silver monetary standard with a gold equivalency, effectively putting America on a bi-metallic monetary standard.

By 1834, Congress could no longer ignore the market deviation from the fixed 15:1 legal ratio formally established between the two metals 42 years earlier and again reacted to powerful market forces.

In a June 28th act, Congress specified that "all gold coins of the United States" struck before the act's effective date were to be made "receivable in all payments at the rate of ninety-four and eight-tenths of a cent per pennyweight."

Congress made all the old, gold coins "receivable" at a new rate, 94.8 cents/dwt., thereby valuing the (11.25-pennyweight/270-grain) 1792-era eagles at \$10.665 each.

The "pennyweight" is the least-familiar unit in the troy weight system, of 24 grains, with 20 pennyweights per troy ounce (480 grains/troy ounce).

In the 1834 act, besides regulating the value of the existing gold coins at a new rate *per unit of troy weight*, Congress also specified new reduced-weight gold coins again at familiar value increments (\$10/\$5/\$2.50) while indirectly changing the silver/gold parity to ~16:1.

Due to an escalating relative glut of silver in the market, Congress in the Act of February 12, 1873, temporarily ceased coining the venerable silver dollar and began striking the slightly-heavier "Trade Dollar."

Information struck on the coin's reverse was not only the country of origin ("United States of America"), motto ("E Pluribus Unum"), and designation ("Trade Dollar"), but also its standard weight and fineness, "420 grains. 900 fine."

Given the coin's purpose, the country of origin held little importance other than conveying integrity, as the trade dollar was meant for foreign trade where American legal tender laws would be of no consequence whatsoever.

As the motto held even less importance overseas, arguably the most important information struck on the coin was "420 grains. 900 fine."

Today, as countries throughout the world have separated gold and silver from their currencies, they mandate within their borders localized monopolies on the issuance of fiat currency without inherent value.

Anti-counterfeiting laws are expanded to appear to reach even honestly-issued private money as the government seeks to become the greatest counterfeiter that won't tolerate even (or especially) hard-money competition.

Given our current debt-based American currency, this author proposes returning to private gold coins based upon their troy weight of pure gold, similar to the 1834 and 1873 coinage acts (those acts dealt with coins at their standard weights), but at weights far more convenient to trade.

As Alexander Hamilton noted in his January 28, 1791, report on the Establishment of a Mint, Thomas Jefferson proposed "that the weight of the dollar should correspond with the unit of weight."

We need not seek Jefferson's July 13, 1790 extensive re-working of all the units of measure to take advantage of his coinage recommendations to "render uniform and stable the system" so the coins "may be unchangeable in their nature."

Unlike 1792 America, we may start afresh with a clean slate since no country today uses gold and silver coin in everyday trade.

We no longer need to use arbitrary and now-tarnished names such as "dollar" or coins of odd-numbered grains, such as 371.25, to match commonly-circulating coins.

When looking at coin, the "unit" is of great consequence, as various coins of differing weights and values are typically needed for convenient trade.

The 1834 act's valuation of 94.8 cents per pennyweight used the least-familiar unit of weight in the troy weight system, almost guaranteeing failure if copied today.

The troy "ounce," of course, is the unit in the popular American Eagle coinage program. This unit, however, is far too large for convenient trade at low values, quickly necessitating cumbersome fractions or decimals.

Besides being too large of a unit, however, the current gold eagles' primary fault is disproportionate value to proportionate weight (the one-ounce coin is valued at \$50, while the quarter-ounce coin is only valued at \$10).

Trade mandates proportional weights at proportional values. The best way to ensure this is to have *the unit of weight be the unit of value itself* (and cease using arbitrary names now tied to harmful geopolitical policies).

One possibility for the unit is the "gram" and it is used that way to some extent today. However, this unit is yet fairly large (one gram equals 15.432 grains), at least given how productive today is mankind.

This author proposes that the ideal unit today in the land of plenty is the "grain" of fine gold, the "grain" being the smallest unit of weight typically used to measure gold and silver.

For example, a ten-dollar per hour employee, with gold valued at \$1,500 per ounce, would earn 3.2 grains of gold per hour (instead of .2 grams of gold per hour). This could perhaps be symbolized "gg" for "grains gold" (of pure gold) or maybe some other convenient symbol.

Coins of 25 grains, 50 grains, 100 grains, 250 grains, and 500 grains could easily be struck. Bars in 1,000 grains, 2,500 grains, 5,000 grains and 10,000 grains could also be cast.

This author proposes that the coinage standard at 11/12th-fine (22-carat or .91666 fine [gold bars, without abrasion concerns, should remain in .999{9} fineness, for ease of weight verification to solely determine value]).

The contender for coins, naturally, would be .900 fine; but this would require greater use of alloy without additional value being added. Economics would favor using less of a resource which didn't add value to the end product.

This author proposes, like the American Trade Dollar, that the 500-grain coin would be struck with "545.46 grains gold .91666 fine" in a small font, but with "500 grains fine gold" (or "pure gold" [as many people aren't familiar with gold terms]) clearly struck in a large font.

On smaller coins, this author would argue that only the fine gold content of the coin should be struck thereon.

The wonderful thing about using the "grain" as the unit is that all existing gold, in whatever form — whether in flakes, coins, bars, or jewelry — is determinable in the number of grains of fine gold, in whatever purity it is found.

Thus, to trade with gold in any purity or condition, one must only assay the gold and weigh it to immediately know its trade value. Undoubtedly, un-assayed gold would be slightly discounted due to the added effort needed to accurately determine purity.

Of course, the greatest benefit would come from trading in gold electronically, where one needn't make trades in a coin's given denomination.

Interestingly enough, GoldMoney[®] operates an electronic gold payments accounting system similar to that described.

Unfortunately, as noted at the www.GoldMoney.com website, "owing to both the relatively low use of this service and increasing regulatory burdens, in January 2012 GoldMoney decided to stop metal payments in all countries except Jersey, Channel Islands."

The "relatively low use of this service" issue could be helped by making the unit more convenient — smaller — changing from their use of a "gram" of gold to a "grain."

The biggest issue in the United States, of course, is the "increasing regulatory burdens" issue, which certainly limits the relative use of the service as customers are understandably concerned about federal intervention and thus steer clear of the system.

As the GoldMoney website states, they currently use their "patented currency," their "GoldMoney goldgrams® (1 goldgram = 1 gram of gold)" as their unit of account.

This is where this author would argue the GoldMoney strategy went wrong (assuming they prefer operating also in the U.S.); the use of a "patented currency," the *Registered* GoldMoney "goldgrams" rather than simply a standard unit of weight as such, directly.

Although use of patents, copyrights and registered trademarks is understandable to protect one's investment developing a workable electronic-transfer gold trading system, this author argues that simple systems for trading small units of actual gold would be far less problematic legally and thus ultimately far more beneficial financially.

If one seeks to establish an alternative currency in the United States to compete with Federal Reserve notes, this author believes the "regulatory burdens" will inevitably escalate far beyond any proponent's ability to continue.

It should be noted, however, that numerous U.S.-based private mints strike large numbers of gold coins in "ounce" increments or its fractions, and then sell them to private American investors, without a second look by regulatory agencies.

If a private mint may strike gold coin and private individuals may buy, sell, and trade them in one-ounce, half-ounce, quarter-ounce and even tenth-ounce increments, they may also certainly do so in 500-grain, 250-grain, 100-grain, 50-grain, and 25-grain coins.

Just as one may make an original written or electronic order to buy, sell, or trade an *ounce* of gold, so may one use such means to buy, sell, or trade a *grain* of gold.

To avoid regulatory wrath, it is necessary to ensure that no written order or pre-printed warehouse receipt ever attempts to become currency itself and trades in the place of coin.

Trading electronically in grains of gold from one account to another, however, does not contain the same legal constraints as pre-printed claims for a given amount of gold, while electronic transfer simultaneously makes it far more convenient to execute trades down to very precise values, to the .001 or even .0001 of a grain.

This author recommends trade in the coins themselves, check equivalents, or by electronic transfer debit cards. In the latter examples, gold is accounted for simply by tracking the number of grains of gold physically on hand and attributable to each account holder.

Electronic trade or checks transferring gold would simply involve one person transferring a chosen number of grains of stored physical gold to another, similar to buying one ounce today while not taking actual physical possession (undoubtedly clearing-houses would develop as competing transfer companies came online, aiding physical transfers of net exchanges only of each transfer company).

If direct transfers from person-to-person through a 3rd-party are ever "discouraged" by regulation, the individual using gold in a purchase could "sell" it back to the house who then forwards the money to seller who can exchange it back into gold if he desires, or use the dollars elsewhere.

In this case, dollars need only be used during the trade. Dollars would become only a medium of exchange while gold could again become the preferred store of value.

Certainly if credit and debit card companies may charge several percent for their services, a gold storage and transfer system as described should be able to do the same, avoiding the creation of any fractional reserve system which would artificially and fraudulently create more claims to gold than there is gold on hand (to pay for the ["free"] service).

Of course, any electronic system for transferring units of gold from one to another must be carefully monitored to assure proper accounting of every particle of gold. Reputable independent, third-party verification is essential to any proposed system.

No proposed gold payment system is complete without considering F.D.R.'s so-called gold "confiscation," as Americans understandably worry about repetition of grand-scale government theft of gold "paid" with printed money.

This author argues that this 1933 event, however, was actually but a margin call on those banks (and shareholders) which needed to shore up their previous note issuance commitments. Only those people and entities could be "persons" who could be required to send in (additional) gold to the Federal Reserve banks (due to Section 15 of the 1913 Federal Reserve act).

For a full discussion on so-called gold "confiscation," please see *Monetary Laws of the United States*, or the easier-reading fiction novel, *Bald Justice*, freely available at www.PatriotCorps.org or www.FoundationForLiberty.org.

The Beacon Spotlight: Issue 4: Page 3

